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SUBJECT: NICARAGUA: RESPONSE TO BUDGET TRANSPARENCY DEMARCHE

REF: A) STATE 81177 B) MANAGUA 571

¶1. (U) In response to Ref A demarche on budget transparency, Ovidio Reyes, Director of Fiscal and Economic Affairs, GON Ministry of Finance and Public Credit, told econoffs on August 13 that the national budget of Nicaragua is available on the Finance Ministry's website and is published in the Nicaraguan equivalent of the U.S. Federal Register (La Gaceta). Normally, the GON's executive branch submits its annual budget request to the National Assembly by October 15 for the following fiscal year (which in Nicaragua is the same as the calendar year). Reyes stressed that the GON strives to provide timely information on its budget process, but that the Ministry of Finance's antiquated information technology infrastructure limits public access. He said that the World Bank and Inter-American Development Bank are both funding improvements in this area.

¶2. (U) Regarding so-called "off-budget" funds donated or lent to Nicaragua (including Venezuelan funds and other bilateral donor projects such as the Millennium Challenge Account (MCA) compact), Reyes stated emphatically that such proceeds fall outside of the Ministry of Finance's control. He added that in some cases donors choose to provide funds "off-budget" in order to avoid the GON's mandatory 6% levy for national universities and 4% for the court system. Reyes concluded that it is up to each donor to provide information on how funds are spent.

Comment:

¶3. (SBU) Reyes views all "off-budget" assistance to Nicaragua in the same light, from our MCA compact to Venezuelan funds. What Reyes naturally omits from his analysis is the fact that MCA funds, unlike those from Chavez (Ref B), are easily scrutinized via a transparent, publicly available process.

CALLAHAN